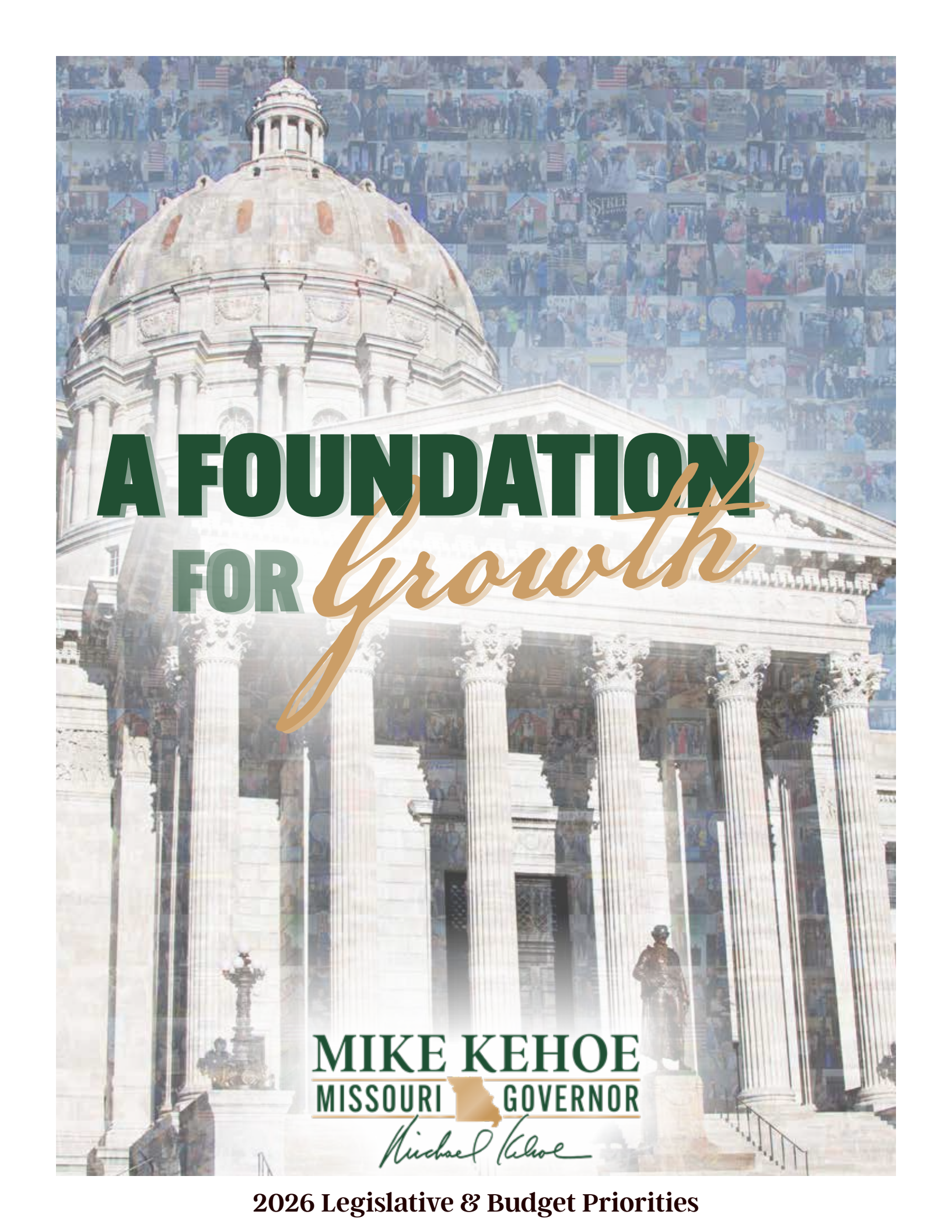




A FOUNDATION FOR *Growth*

MIKE KEHOE
MISSOURI  **GOVERNOR**

Michael Kehoe

2026 Legislative & Budget Priorities

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TO THE GENERAL ASSEMBLY & THE PEOPLE OF MISSOURI:

January 13, 2026

One year ago, my wife, Claudia, and I stood on the steps of the Missouri State Capitol, humbled by the trust you placed in us and mindful of the responsibility that comes with serving this great state. That day, I swore an oath to the people of Missouri to faithfully perform the duties of this office and to talk with anyone, work with anyone, and root for anyone willing to join us on our mission of securing Missouri's future.

While this past year has not been without its challenges, it has revealed what Missourians have always known about themselves—that resilience, discipline, and a willingness to work together define who we are. And as we've traveled Missouri—from rural main streets to city centers—we've met hardworking families, small business owners, farmers, teachers, and law enforcement officers who proved that we truly are more alike than we are different.

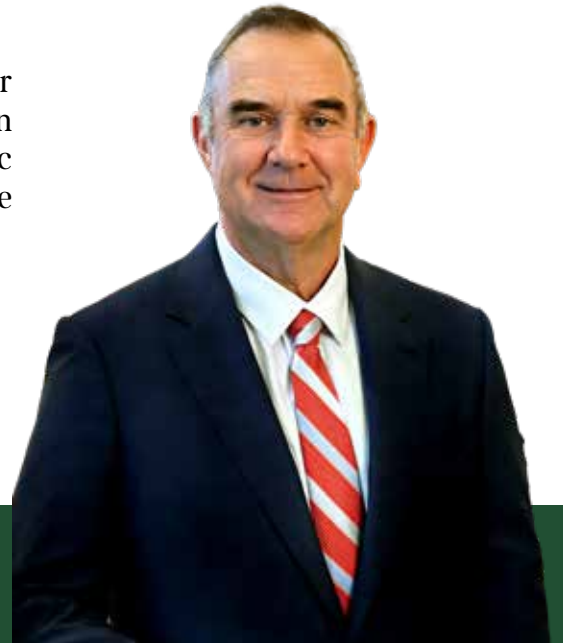
This year, I am hopeful that we can continue to work with the General Assembly to set aside political differences to achieve our common goal: building a strong foundation for growth so that the next generation inherits a Missouri that is safer, stronger, and full of opportunity.

As always, we are focused on delivering real results that improve the lives of every Missourian. Through strategic investments and legislative action, our administration is working to strengthen public safety, grow the economy, support agriculture, and improve education in Missouri, all while limiting the size of government and laying the foundation to eliminate the state individual income tax once and for all.

It is our belief that smaller, smarter government leads to better results—not because it does less, but because it focuses on what matters. By pairing conservative budgeting with strategic investment and aggressive business recruitment, Missouri can be both responsible and competitive.

Governor Mike Kehoe

58th Governor of the State of Missouri



A FOUNDATION FOR GROWTH



STATE OF THE BUDGET

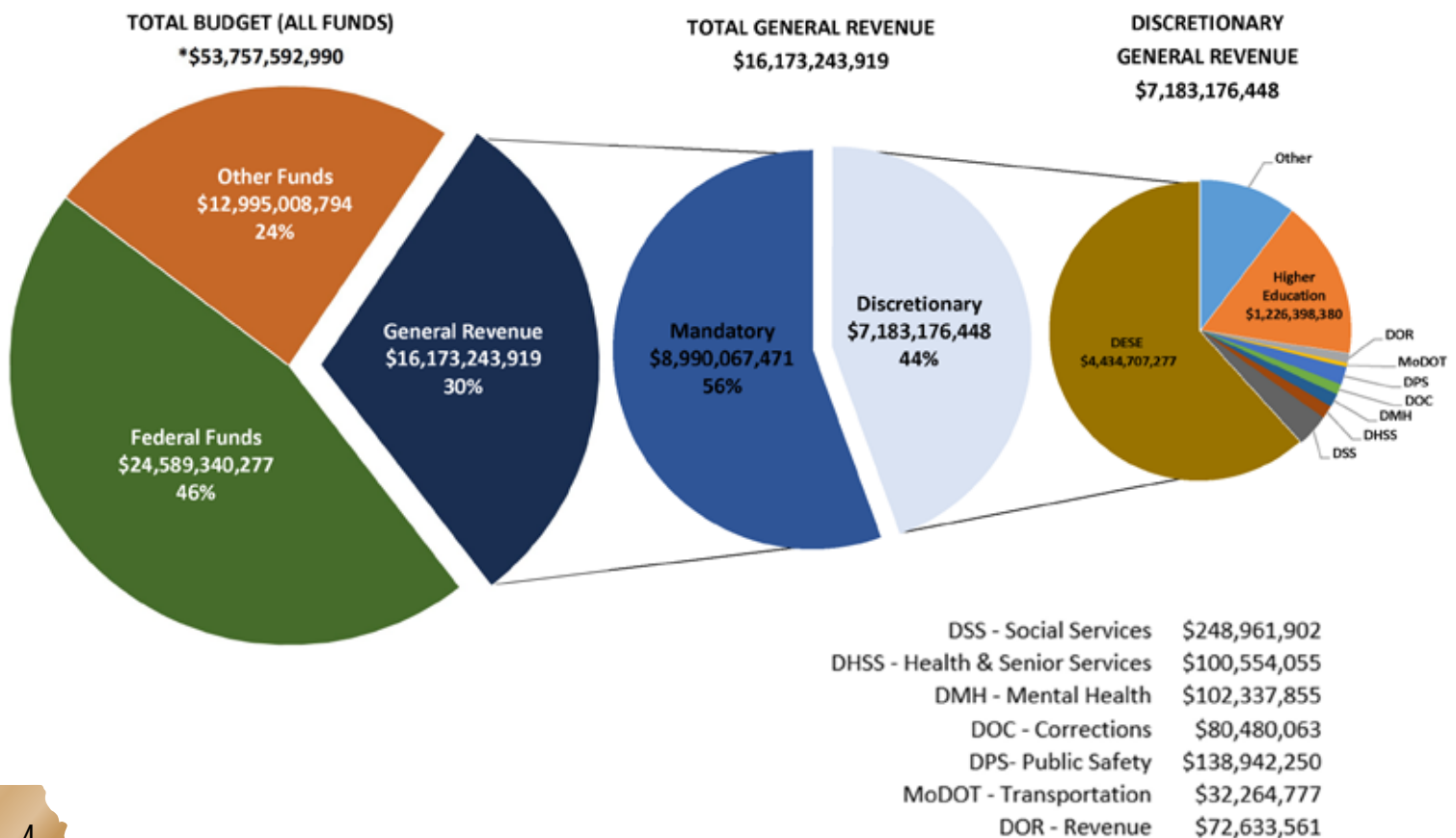
Governor Kehoe's budget recommendation reflects his constitutional obligation to balance the budget and commitment to responsible stewardship of taxpayer dollars while addressing imbalances created by years of elevated spending.

Since Fiscal Year (FY) 2022, more than 3,400 new budgetary items have been added to the state's operating budget, resulting in nearly \$13 billion in new general revenue spending.

As state finances normalize following the influx of unprecedented federal funds, the Kehoe administration has undertaken a comprehensive review of the state operating budget, starting to align ongoing spending with ongoing revenues in an effort to return state finances to a sustainable, pre-pandemic framework.

Governor Kehoe's recommendation reduces more than \$600 million from the core operating budget, beginning to address a projected future imbalance exceeding \$2 billion. These reductions prioritize fiscal discipline while continuing to meet mandatory and high-priority obligations, including Medicaid matching requirements, child care subsidies, and disaster relief—without cutting core funding for higher education or the K-12 foundation formula.

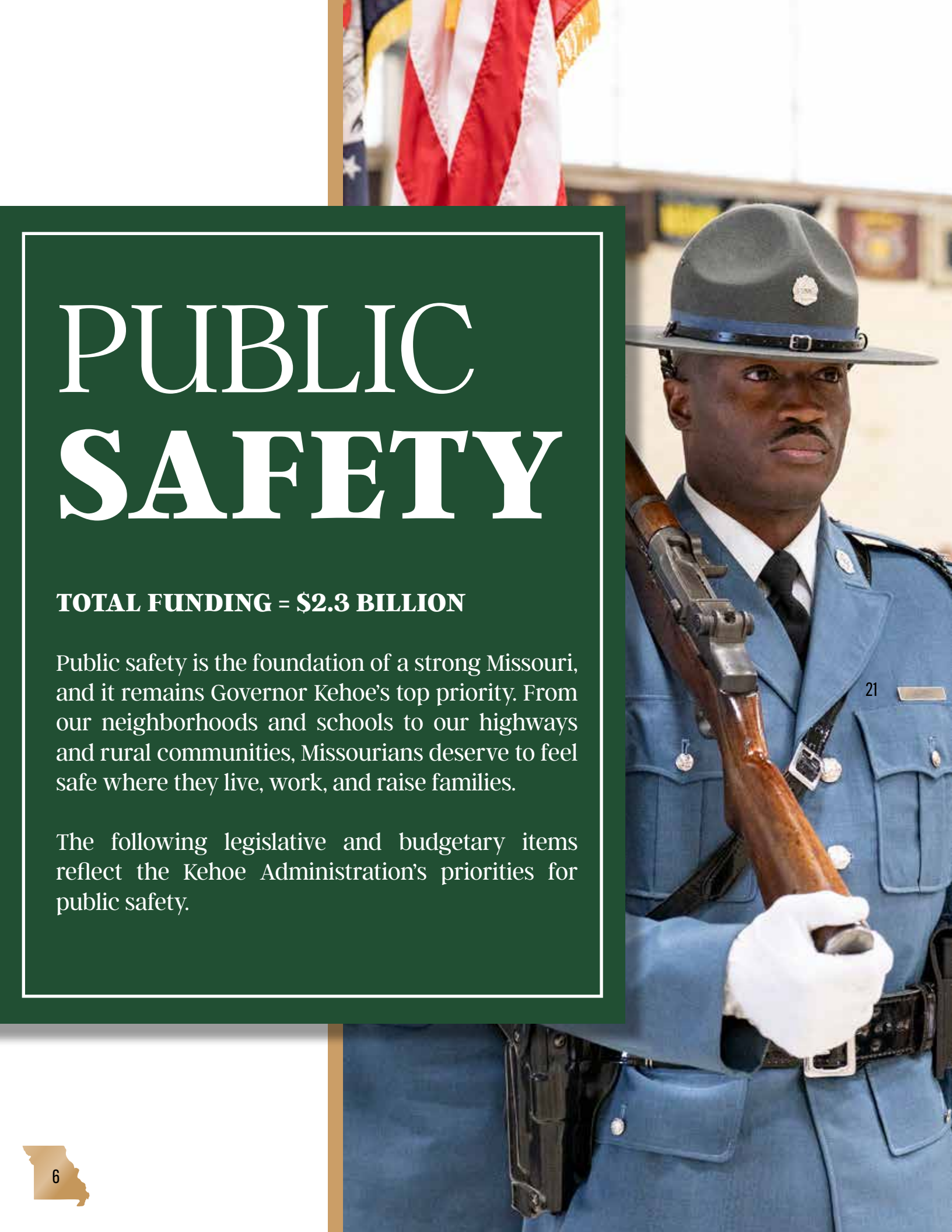
FY 2027 GOVERNOR'S RECOMMENDED OPERATING BUDGET



GENERAL REVENUE (GR) CORE REDUCTIONS BY AGENCY

Agency	GR in Millions (\$)
Office of Administration	(42.3)
Department of Agriculture	(3.1)
Department of Commerce & Insurance	(2.5)
Department of Conservation	0
Department of Corrections	(15.2)
Department of Economic Development	(32.3)
Department of Elementary & Secondary Education	(21.8)
Department of Health & Senior Services	(52.3)
Department of Higher Education & Workforce Development	(28.7)
Department of Labor & Industrial Relations	(1.0)
Department of Mental Health	(42.8)
Department of Natural Resources	(14.8)
Department of Public Safety	(5.7)
Department of Revenue	(5.6)
Department of Social Services	(270.0)
Department of Transportation	(23.9)
Missouri National Guard	(0.1)
Office of the Missouri Governor	(0.5)
Office of the Lieutenant Governor	(8.9)
Office of the State Auditor	0
Office of the Attorney General	(0.2)
Office of the Secretary of State	(1.6)
Office of the State Treasurer	0
Real Estate	(3.7)
American Rescue Plan Act	(88.1)

TOTAL FY 2027 EXPENDITURE RESTRICTIONS = \$286.5 MILLION



PUBLIC SAFETY

TOTAL FUNDING = \$2.3 BILLION

Public safety is the foundation of a strong Missouri, and it remains Governor Kehoe's top priority. From our neighborhoods and schools to our highways and rural communities, Missourians deserve to feel safe where they live, work, and raise families.

The following legislative and budgetary items reflect the Kehoe Administration's priorities for public safety.

PUBLIC SAFETY CONT.

LEGISLATIVE PRIORITIES

Unmanned Aircraft Systems

This bill allows law enforcement to have the authority to intercept and respond to unmanned aircraft systems (drones).

Sentencing Reform

Legislation to provide transparency to the sentencing process so victims, prosecutors, and offenders have greater clarity before leaving the courtroom.

Violent Juvenile Crime Reduction Strategy

This bill expands the ability of a prosecuting attorney to seek adult certification for violent juvenile offenders and requires juvenile officers to share juvenile records with the prosecuting attorney.



PUBLIC SAFETY CONT.

BUDGETARY PRIORITIES

Project	Investment (\$)	Purpose
Operation Relentless Pursuit	1.25 MILLION	Continued funding to support a coordinated, intelligence-led law enforcement initiative to locate and apprehend fugitives subject to felony arrest warrants
Law Enforcement Academy Scholarships	2 MILLION	Continued funding to support the Missouri Blue Scholarship that covers the cost of attending a Missouri basic training academy
Safer Missouri Investments	7.7 MILLION	Investments for equipment needs related to criminal and forensic investigations, and other security operations. Includes 34 FTE
Blue Shield Law Enforcement Agencies	10 MILLION	Grant program to support the training and equipment needs of the Blue Shield Program, which recognizes local governments' commitment to public safety within their communities
Unmanned Aircraft Systems	14.7 MILLION	Funds to allow law enforcement officers to counter the use of illegal, unmanned aircraft systems (drones)
Statewide Disaster Response	1.3 BILLION	Combined federal and state funds used for continued disaster response efforts



PUBLIC SAFETY_{CONT.}

VETERANS HOMES

Project	Investment (\$)	Purpose
Electronic Health Record System	1.4 MILLION	Continued investments in a cloud-based, electronic health record system for state veterans homes, including emergency backup server coverage
Staffing	1.7 MILLION	Funds to improve care for veterans by increasing nursing and care staff. Includes 40 FTE
Operating Budget Increases	5.7 MILLION	Funding to support quality care for our veterans
Nurse Call Systems	7.3 MILLION	Continued funding to replace outdated nurse call systems in state veterans homes
Maintenance & Repairs	26.7 MILLION	Funding to support quality care for our veterans

TOTAL VETERANS SPENDING = \$170.6 MILLION





PUBLIC SAFETY

Success Story

Nearly \$10 Million in State Grants Awarded to Missouri Blue Shield Communities

On October 2, 2025, Governor Mike Kehoe announced nearly \$10 million in state grants for improving public safety to Missouri Blue Shield communities across the state. A total of 201 counties, cities, and towns earned the Governor's Blue Shield designation by creating comprehensive, sustainable plans to fight crime and promote safer communities, making them eligible for grant funding.

The Blue Shield Program, as outlined in Executive Order 25-03, is part of the Governor's Safer Missouri initiative announced on his first day in office.

Missouri communities could apply for \$50,000 in training, equipment, and technology grants if they met Missouri Blue Shield requirements and were designated as Blue Shield communities by June 1, 2025. A total of 60 counties, 137 cities, and four towns were approved.

Blue Shield awards to communities include:

- 388 Mobile Data Terminals
- 351 Body Cameras
- 151 License Plate Readers
- 102 Ballistic Vests
- 91 Interoperable Radios
- 56 Vehicles

Blue Shield counties, cities, and towns must maintain their commitments to retain the Blue Shield designation via annual reporting about their ongoing efforts to support public safety to DPS.



ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT

Success Story

2025 by the Numbers

nearly

100

business projects including groundbreakings, ribbon cuttings, & expansions

expected to create more than

7,420

new jobs

resulting in

\$2.25B

capital investments

TOTAL FUNDING = \$2.1 BILLION

From urban cities to rural communities, Missourians deserve opportunities to build careers, grow businesses, and invest in their futures. Each year, the state of Missouri appropriates a certain amount of funds to help lay the groundwork for long-term prosperity and ensure Missouri remains open for growth, innovation, and opportunity.

The following legislative and budgetary items reflect the Kehoe Administration's priorities for economic development.



ECONOMIC DEVELOPMENT CONT.

LEGISLATIVE PRIORITIES

Eliminating Individual Income Tax

This constitutional amendment would give the Missouri General Assembly the ability to put Governor Kehoe's plan to eliminate the state income tax into action.

Energy

This legislation lowers the renewable energy standard from 15% to 7.5% and includes nuclear power as a generation source.

Missouri Works Enhancement

This bill creates a new tool within Missouri Works to attract projects with capital investments exceeding \$50 million.

MISSOURI WELCOMES FIFA 2026

Estimated World Cup Impact in Missouri:

\$489 million economic impact

\$20.7 million state tax revenue generated

650,000 visitors to the Kansas City region

ECONOMIC DEVELOPMENT CONT.

BUDGETARY PRIORITIES

Project	Investment (\$)	Purpose
Statewide Apprenticeship Program	400,000	Expansion of program connecting Missourians to resources to build life-sustaining careers
Missouri Technology Corporation	2.5 MILLION	Support for early-stage, high-growth potential technology-based companies that may create significant economic development impact in Missouri
Tri-Care Child Care Model	2.5 MILLION	Continued funding to support child care for working families through the public-private-employee shared funding model
Missouri One Start	17.7 MILLION	Program to upskill and train Missouri's workforce on emerging technologies.
FIFA World Cup	63.2 MILLION	Funding to ensure Missouri is prepared for the FIFA World Cup. Includes federal grant monies



AGRI- CULTURE

TOTAL FUNDING = \$67.2 MILLION

Agriculture is the backbone of Missouri's economy and way of life. In addition to his efforts to get government out of the way of farmers, ranchers, and agribusinesses, this year, Governor Kehoe has recommended funds that strengthen rural economies, support producers, and protect the land and resources that future generations depend on.

The following budgetary items reflect the Kehoe Administration's priority funding for agriculture.





AGRICULTURE CONT.

BUDGETARY PRIORITIES

Project	Investment (\$)	Purpose
Missouri FFA	800,000	Funding for statewide and community level agricultural education programs through Missouri FFA
Missouri Rice Acquisition	2 MILLION	Funding to address food security needs through the purchase of Missouri grown rice
Resilient Food System Infrastructure	2.9 MILLION	Funding for a cooperative agreement with USDA for equipment and infrastructure investments to food producers and processors for the state's food system resiliency
Low Volume Roads	34.1 MILLION	Funding to improve low-volume routes across the state

EDU- CAT- ION

TOTAL FUNDING = \$10 BILLION

For K-12 funding specifically, historic funding increases were provided to the formula last legislative session. From child care and K-12 classrooms to career training and higher education, the following legislative and budgetary priorities invest in the tools students and educators need to prepare for the workforce and for life.

By strengthening educational outcomes and expanding opportunities across the state, Governor Kehoe is helping build a skilled, competitive workforce and ensuring Missouri's next generation is ready to lead.



EDUCATION CONT.

LEGISLATIVE PRIORITIES

Missouri State High School Activities Association

Legislation to establish a five-member governing board for MSHSAA.

Open Enrollment

This bill would allow students to attend a public school district in which they do not reside, if the receiving district volunteers to accept students from outside the district.

School Accountability Grade Card

This bill requires each school district to receive a grade from DESE between A-F based on student performance.

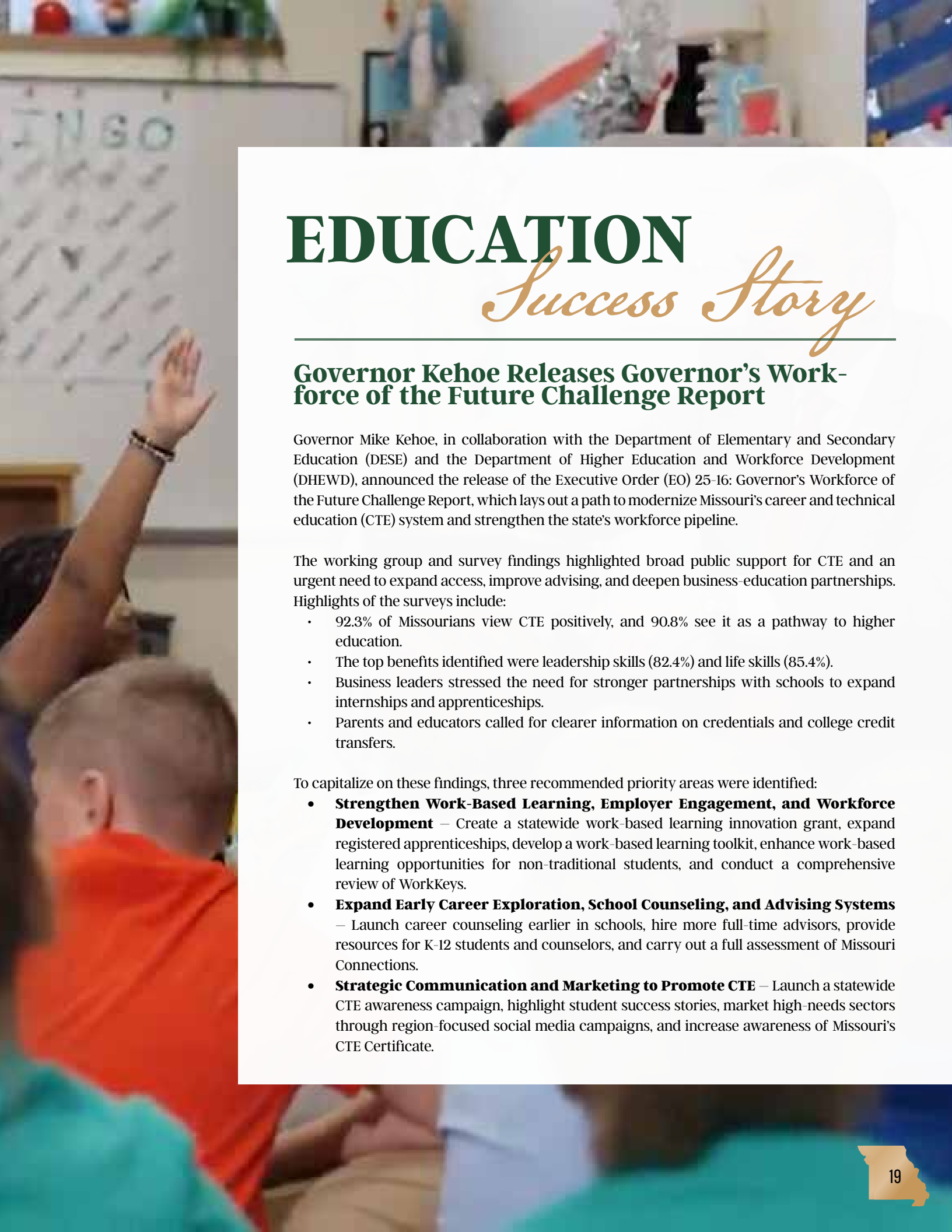


EDUCATION CONT.

BUDGETARY PRIORITIES

Project	Investment (\$)	Purpose
Career & Technical Centers	5 MILLION	Continued funding to support capital and equipment needs for career centers across the state
Public Safety Recruitment & Retention Act	5.2 MILLION	Continued funding to provide tuition support for public safety personnel and dependents pursuing certain degree programs
Open Enrollment	7.5 MILLION	Funding for school districts who participate in a voluntary open enrollment program
Empowerment Scholarship Account Program	60 MILLION	Funding to ensure more Missouri families have access to education options that best meet the needs of their children
Child Care for Low Income Families	343.5 MILLION	Support for quality child care for low-income families
K-12 Education Foundation Formula & Transportation	4.6 BILLION	Ongoing funding for the K-12 education foundation formula and student transportation needs





EDUCATION

Success Story

Governor Kehoe Releases Governor's Workforce of the Future Challenge Report

Governor Mike Kehoe, in collaboration with the Department of Elementary and Secondary Education (DESE) and the Department of Higher Education and Workforce Development (DHEWD), announced the release of the Executive Order (EO) 25-16: Governor's Workforce of the Future Challenge Report, which lays out a path to modernize Missouri's career and technical education (CTE) system and strengthen the state's workforce pipeline.

The working group and survey findings highlighted broad public support for CTE and an urgent need to expand access, improve advising, and deepen business-education partnerships. Highlights of the surveys include:

- 92.3% of Missourians view CTE positively, and 90.8% see it as a pathway to higher education.
- The top benefits identified were leadership skills (82.4%) and life skills (85.4%).
- Business leaders stressed the need for stronger partnerships with schools to expand internships and apprenticeships.
- Parents and educators called for clearer information on credentials and college credit transfers.

To capitalize on these findings, three recommended priority areas were identified:

- **Strengthen Work-Based Learning, Employer Engagement, and Workforce Development** – Create a statewide work-based learning innovation grant, expand registered apprenticeships, develop a work-based learning toolkit, enhance work-based learning opportunities for non-traditional students, and conduct a comprehensive review of WorkKeys.
- **Expand Early Career Exploration, School Counseling, and Advising Systems** – Launch career counseling earlier in schools, hire more full-time advisors, provide resources for K-12 students and counselors, and carry out a full assessment of Missouri Connections.
- **Strategic Communication and Marketing to Promote CTE** – Launch a statewide CTE awareness campaign, highlight student success stories, market high-needs sectors through region-focused social media campaigns, and increase awareness of Missouri's CTE Certificate.

HEALTH— CARE

TOTAL FUNDING = \$25.2 BILLION

Improving the health and resilience of all Missourians is an essential part of building a foundation for growth. Each year, the state of Missouri is required to appropriate funds to support individuals with physical, developmental, and behavioral health needs. Mandatory spending for mental health and healthcare includes items like:

- Medicaid programs
- Habilitation Centers for Missourians with developmental disabilities
- State-operated psychiatric facilities

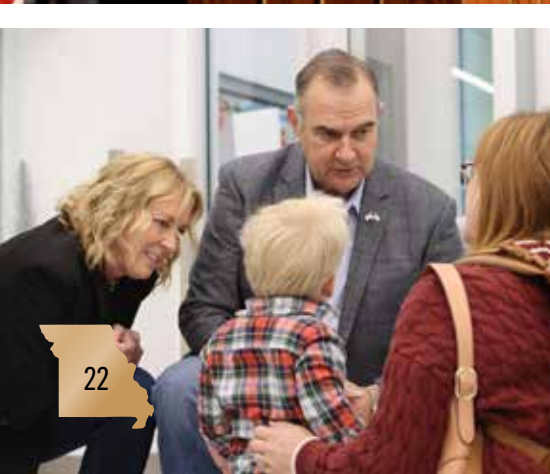
The following budgetary items reflect the Kehoe Administration's priority funding for mental health and healthcare.

HEALTHCARE CONT.

BUDGETARY PRIORITIES

Project	Investment (\$)	Purpose
Outpatient Competency Restoration	6.1 MILLION	Increased funding for outpatient competency restoration services, allowing individuals to receive timely treatment and reducing the burden on local jails
Substance Use Disorder Treatment & Support	8.3 MILLION	Increased funding for treatment of substance use disorders
Medicaid Reform	62.1 MILLION	Staffing and program integrity improvements to ensure accurate distribution of Medicaid and related benefits
Rural Health Transformation	216.3 MILLION	To support provider participation, delivery system improvements, and care coordination activities necessary to maintain and improve access to healthcare services in rural communities





GOVERN- MENT EFFICIENCY

Responsible, efficient government is essential to earning the trust of Missourians and protecting taxpayer dollars.

Governor Kehoe prefers a back-to-basics approach that focuses on core services, accountability, and measurable results. Streamlining operations, eliminating waste, and investing in smarter, more effective government ensures resources are used when and where they matter most.

This commitment to efficiency allows Missouri to deliver better outcomes for citizens while keeping government focused, transparent, and fiscally responsible.

GOVERNMENT EFFICIENCY

EXECUTIVE ORDERS

Missouri GREAT

An executive order that reinforces Governor Kehoe's commitment to government efficiency, creating the Missouri Government Responsibility, Efficiency, Accountability, and Transformation initiative – Missouri GREAT. In consultation with the Governor's Office and participating business leaders, coordinators within each state agency will identify and eliminate inefficiencies in state government.

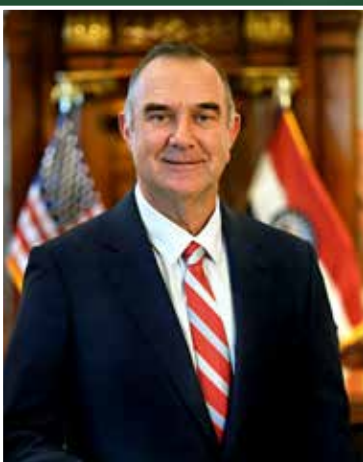
Artificial Intelligence

An executive order to reinforce Missouri's commitment to safely and effectively integrate AI into state government operations. In today's world, modern technology and artificial intelligence are critical to improving government efficiency.



2026 Legislative & Budget Priorities

A FOUNDATION FOR *Growth*



Governor Mike Kehoe
58th Governor of the State of Missouri

“When conservative budget discipline is matched with strategic investment, decisive legislative action, and aggressive business recruitment, responsibility and growth will go hand in hand.”